

THE OFFICE OF REGULATORY STAFF

SETTLEMENT AGREEMENT

TESTIMONY

OF

Carey M. Flynt



Docket No. 2006-4-G

**Annual Review of Purchased Gas Adjustment
and Gas Purchasing Policies
of Piedmont Natural Gas, Inc.**

SETTLEMENT AGREEMENT TESTIMONY OF

CAREY M. FLYNT

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2006-4-G

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Carey M. Flynt. My business address is 1441 Main Street, Suite 300, Columbia, South Carolina 29201. I am employed by the State of South Carolina as Manager of the Gas Department for the Office of Regulatory Staff ("ORS").

Q. ARE YOU THE SAME CAREY M. FLYNT WHO PREFILED DIRECT TESTIMONY IN THIS DOCKET ON JULY 5, 2006?

A. Yes, I am.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received a Bachelor of Science Degree in Business Administration, with a major in Accounting from the University of South Carolina in Columbia in 1975. I was employed at that time in the electric and gas utility industry and gained twenty five years experience in this field. In October 2004, I began my employment with ORS. I have testified on numerous occasions before the Public Service Commission of South Carolina ("Commission") in conjunction with natural gas issues.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?

A. I will explain the Settlement Agreement reached by all parties of record in the Annual Review of Purchased Gas Adjustment and Gas Purchasing Policies of Piedmont

1 Natural Gas Company ("PNG").

2 **Q. WOULD YOU PLEASE EXPLAIN THE SETTLEMENT AGREEMENT**
3 **REACHED BY ALL PARTIES IN THE DOCKET AND FILED WITH THIS**
4 **COMMISSION ON JULY 13, 2006.**

5 **A.** Yes. The following is a listing of the major items addressed in the Agreement:

6 1) PNG's gas purchasing policies and practices during the Review Period
7 were reasonable and prudent.

8 2) PNG properly adhered to the gas cost recovery provisions of its gas tariff
9 and relevant Commission orders during the Review Period.

10 3) PNG managed its hedging program during the Review Period in a
11 reasonable and prudent manner consistent with Commission orders.

12 4) The Parties agree to adopt the accounting adjustments set forth in the
13 testimony of Roy H. Barnette for PNG's deferred cost of gas account #253.04 so as to
14 adjust the account balance shown in PNG witness Ann H. Boggs's testimony from an
15 under-collection of (\$15,133,277) to the adjusted balance shown in ORS witness Roy H
16 Barnette's testimony of an under-collection of (\$14,874,018).

17 5) The Parties agree to the method proposed by PNG by which it calculates,
18 accounts for and recovers uncollectible gas costs effective November 1, 2006. PNG
19 proposes the actual commodity cost of gas associated with uncollectible accounts will
20 become a component of the deferred account #253.04. The balance of the uncollectible
21 accounts expensed, including the company's margin, will be recovered through their Rate
22 Stabilization Act ("RSA") filing. The requested change will allow PNG to recover actual

1 expenses rather than estimates.

2 **6)** The Parties agree that PNG's PGA should be modified to reflect hedging
3 activity results in the deferred account #253.04. This modification will be accomplished
4 by monthly transfer of hedging gain or loss to the deferred account.

5 **7)** The Parties agree with ORS's recommendation that the interest rate on
6 PNG's deferred account #253.04 be fixed at 7% effective November 1, 2006.

7 **8)** The Parties agree that the Review Period liquefied natural gas ("LNG")
8 inventory adjustments for the Charlotte LNG facility and the Four Oaks LNG facility
9 addressed in ORS testimony shall be accepted for purposes of calculating PNG's end-of-
10 period LNG inventory levels and that PNG shall ensure the timely and accurate
11 reconciliation of physical LNG inventory levels with the inventory levels of LNG
12 recorded in PNG's gas cost accounting system.

13 **Q. IS APPROVAL OF THE SETTLEMENT AGREEMENT IN THE PUBLIC**
14 **INTEREST?**

15 **A.** Yes. Following extensive review, audit and discussions, ORS has determined that
16 the terms of the Settlement Agreement serve the public interest. The Settlement is
17 offered by all parties as a fair, reasonable and full resolution of all issues in this
18 proceeding as signified by all parties being signatories to the Settlement Agreement.

19
20 S.C. Code Section 58-4-10(B)(1) through (3) reads in part as follows:

21
22 "... 'public interest' means a balancing of the following:

23
24 - concerns of the using and consuming public with respect to public utility
25 services, regardless of the class of customer;

1 - economic development and job attraction and retention in South
2 Carolina; and
3 - preservation of the financial integrity of the State's public utilities and
4 continued investment in and maintenance of utility facilities so as to
5 provide reliable and high quality utility services."

6
7 The Settlement Agreement reached by the parties in this docket balances the
8 concerns of the using public and preserves the financial integrity of the Company.
9 Further, ORS believes that the Settlement Agreement does not inhibit economic
10 development.

11 Therefore, ORS recommends approval of the Settlement Agreement filed in this
12 proceeding.

13 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

14 **A.** Yes it does.